



The CSL growth continues despite COVID

Company/ASX Code	CSL Ltd
AGM date	14 October 2020
Time and location	10am Online
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Michael Muntisov assisted by Robin Burrows
Pre AGM Meeting?	Yes with Company Secretary, Fiona Mead, and Director, Megan Clark.

Note: The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

Item 1	Consideration of financial statements and reports
ASA Vote	No vote required

Summary of ASA Position

Financial Performance:

CSL had another strong year with growth numbers remarkably similar to last year: Revenue up 9% and profit up 17% on the prior year. Earnings per share (EPS) was up 9% and dividends in USD increased by 9% to USD2.02 per share.

Key Events:

Despite the COVID-19 pandemic, sales growth continued, with strong performances from CSL's immunoglobulin portfolio, and from the Seqirus influenza business.

The plasma collection centres remained open as an essential service during the pandemic. Forty new centres were opened in the US (thirty last year).

However, some clinical trial work for development products has been slowed due to COVID-19.

CSL made some strategic acquisitions including biotechnology company Vitaeris, specifically its therapy to address long-term rejection in kidney transplants, and rights from uniQure to commercialise a gene therapy program for the treatment of haemophilia B.

CSL has implemented a multi-pronged investment approach in seeking solutions to the COVID pandemic, including collaborating with the University of Queensland on a vaccine, development of plasma-based therapies and preparing for large scale production of a vaccine once developed.

CSL is guiding a profit improvement of 0 to 8% for FY21 as some of the restrictions on plasma collection may impact performance.

Board and management changes:

Two new directors were appointed during the year and are up for formal election at the AGM. They are Carolyn Hewson and Pascal Soriot. More about them in the director election items.

Christine O'Reilly, a director since 2011, will be retiring from the Board at the AGM.

ASA Focus Issues:

CSL has a good record on ASA focus areas including Board composition, remuneration disclosure and 'skin in the game'.

Summary

(As at FYE) in USD	2020	2019	2018	2017	2016	2015
NPAT (US\$m)	\$2,103	\$1,919	\$1,729	\$1,337	\$1,242	\$1,379
UPAT (US\$m)	\$2,103	\$1,919	\$1,713	\$1,427	\$1,242	\$1,379
Share price (A\$)	A\$287.00	A\$215.00	A\$194.46	A\$138.03	A\$112.20	A\$86.47
Dividend (A\$ per share)	A\$2.93*	A\$2.65	A\$1.92	A\$1.72	A\$1.71	A\$1.63
TSR (%)	35%	12%	42%	25%	32%	32%
EPS (USD per share)	\$4.63	\$4.24	\$3.82	\$2.94	\$2.69	\$2.92
CEO total remuneration, actual (US\$m)	\$28.22m	\$23.26m	\$7.39m	\$7.41m	\$5.50m	\$5.81m (stat.)

*At 0.69 USD = 1AUD at EOFY

For 2020 the CEO's total actual remuneration was **316 times** the Australian Full time Adult Average Annual Total Earnings (\$89,122 based on May 2020 data from the Australian Bureau of Statistics).

Note that the CEO's remuneration over the last two years has been abnormally high because of the vesting of performance rights whose face value increased significantly over the performance period (contributed USD18.6m in 2020), and also reflects the terms of CSL's more attractive legacy remuneration plans.

Item 2a	Re-election of Bruce Brook as a Director
ASA Vote	For

Summary of ASA Position

Mr Brook has been a Director of CSL since August 2011, and is Chairman of the Audit and Risk Management Committee. His background is in accounting and finance, having held executive roles at ANZ, Pacific Dunlop and CRA (now Rio).

His director workload and CSL equity holding is within the ASA guidelines.

Item 2b	Election of Carolyn Hewson as a Director
ASA Vote	For

Summary of ASA Position

Ms Hewson was appointed a director of CSL in December 2019.

Her background is in investment banking, and she brings experience in strategy, capital management, financial and non-financial risk, social value, and organisational culture.

She has extensive Board experience in a range of industries including with BHP, Stockland, AGL, CSR and AMP.

Her director workload is within the ASA guidelines.

Item 2c	Election of Pascal Soriot as a Director
ASA Vote	For

Summary of ASA Position

Mr Soriot was appointed a director of CSL in August 2020.

His experience and background is in the pharmaceutical industry. He has held executive positions with Genentech and Roche before his appointment as CEO and an executive director of AstraZeneca in 2012, a position he still holds.

He has no other directorships.

Item 3	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

CSL describes the three components of its remuneration scheme, which it adopted in 2017, as Fixed Reward (cash to attract talent), Short Term Incentive (STI) to reward 'performance' (paid fully in cash, with no deferral) and a Long Term Incentive (LTI) which is the biggest component of the total package (paid in equity via performance rights) to achieve 'alignment'. The relative components are summarised in the table below.

The remuneration scheme and report meet a number of criteria favoured by ASA including:

- Total remuneration at risk is greater than 50% (76% at 'target', see table below) and also nearly half of remuneration at 'target' is in the form of equity (47%)
- Face value is used to determine number of performance grants
- CSL provide an actual 'take home' table
- The STI criteria are stated and weighted
- LTI vesting is tested in equal tranches over four years.

- CSL has a policy for Directors and Key Management Personnel to hold a minimum shareholding in the company which corresponds closely with ASA’s ‘skin-in-the game’ guidelines. All of them hold, or on track to hold, the minimum policy requirement.

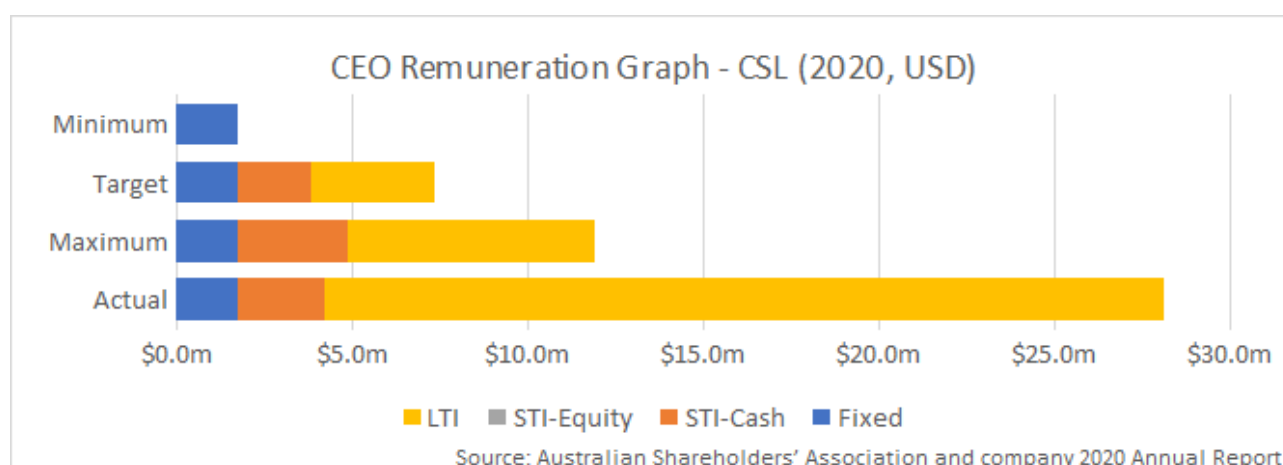
There are some areas that differ from ASA guidelines such as the use of a single performance measure for the Long Term Incentive (which is Return on Invested Capital, ROIC). It also pays all of the STI in cash. However, an expert Group of the ASA looked closely at CSL’s remuneration structure when it was first implemented, and has chosen to support it.

There was no increase in the Fixed and STI components of the CEO’s salary over last year. He received a 14% increase in the LTI opportunity.

Remuneration targets for CEO remuneration in FY20 are summarised below in the Table and Graphic. The figures reported for target and maximum opportunity are based face value at grant date. Actual received was US\$28.2m. Of this US\$18.6m was due to the increase in the share/option value over the period, with October 2015 being the earliest grant date.

	Target US\$m	% of Total	Max. Opportunity US\$m	% of Total
Fixed Remuneration	1.751	24%	1.751	15%
STI - Cash	2.101	29%	3.152	26%
STI - Equity	0	0%	0	0%
LTI	3.502*	47%	7.004	59%
Total	US\$7.354m	100%	US\$11.907m	100%

*Threshold award level



CSL is redesigning their remuneration package during FY21. It appears likely that they will adopt two performance measures for the LTI incentive, which is an approach which ASA favours.

CSL is competing for talent against the best in the USA and Europe. It is one of the largest biotech companies in the world, operating in a high value, global industry (more than 90% of its revenue comes from outside Australia). CSL’s remuneration for key people reflects this reality.

Although the remuneration levels appear high, there can be no doubting that the company performance and value delivered to shareholders has also been high over the corresponding period (Total Shareholder Return averaging 29% pa over the last 5 years). Therefore the ASA proposes to vote in favour of adopting the Remuneration Report.

Item 4	Approval of LTI grant to CEO
ASA Vote	For

Summary of ASA Position

This item is to approve grants of rights (called Performance Share Units, PSUs) to the CEO under the LTI plan.

The proposed equity rights grant to the CEO is valued at US\$7.0M (at face value of A\$235 per share) being 4 times his fixed base salary.

The LTI performance measure is the 7-year rolling average of Return on Invested Capital (ROIC) with a threshold minimum level of 20% (50% vesting) and a target of 23% (100% vesting) with a minimum hurdle of achieving a ROIC in any particular year of at least CSL's Investment Hurdle Rate (IHR). If a ROIC of at least the IHR is not achieved in any year, then zero vesting occurs in that year irrespective of the 7-year average performance.

The rights granted will be tested every year for the next four years and paid out in 25% tranches if CSL's ROIC in that year exceeds its IHR, AND the 7-year rolling average of ROIC exceeds the levels above.

For the reasons set out in Item 3, the ASA proposes to vote in favour of this item.

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